

HOUSE BILL No. 1605

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3.5; IC 20-46; IC 36-1-8-5.1.

Synopsis: Local option income taxes. Provides for the distribution of all county adjusted gross income taxes and county option income taxes imposed in a county to county government, except for amounts necessary to meet a pledge of revenue made by another civil taxing unit before April 1, 2007. Transfers the responsibilities of the county income tax council under the county option income tax law and certain other laws to the county fiscal body. Extends the municipal option income tax that applies to Lake County to all counties, reduces the maximum permissible municipal option income tax rate, and permits the revenues from the municipal option income tax to be used for property tax relief, deposits in the municipality's rainy day fund, and other uses. Makes related changes. Repeals provisions referencing the county option income tax council and provisions providing an inventory tax deduction and an additional county economic development income tax rate that have expired.

Effective: Upon passage; April 1, 2007 (retroactive); January 1, 2008.

Cherry

January 23, 2007, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

HOUSE BILL No. 1605

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-18.5-3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 3. (a) Except as
3 otherwise provided in this chapter, ~~and IC 6-3.5-8-12,~~ a civil taxing
4 unit that is treated as not being located in an adopting county under
5 section 4 of this chapter may not impose an ad valorem property tax
6 levy for an ensuing calendar year that exceeds the amount determined
7 in the last STEP of the following STEPS:

8 STEP ONE: Add the civil taxing unit's maximum permissible ad
9 valorem property tax levy for the preceding calendar year to the
10 part of the civil taxing unit's certified share, if any, that was used
11 to reduce the civil taxing unit's ad valorem property tax levy under
12 STEP EIGHT of subsection (b) for that preceding calendar year.
13 STEP TWO: Multiply the amount determined in STEP ONE by
14 the amount determined in the last STEP of section 2(b) of this
15 chapter.

16 STEP THREE: Determine the lesser of one and fifteen hundredths
17 (1.15) or the quotient (rounded to the nearest ten-thousandth



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(0.0001)) of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter, ~~and IC 6-3.5-8-12,~~ a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2(b) of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

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STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection.

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

(d) This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

(A) the amount determined in STEP ONE; or

(B) the amount determined in subsection (f) for the civil taxing unit.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:

(i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or

(ii) the civil taxing unit's base year certified share.

STEP FOUR: Determine the greater of:

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- 1 (A) zero (0); or
 2 (B) the amount determined in STEP TWO minus the amount
 3 determined in STEP THREE.

4 Add the amount determined in STEP FOUR to the amount determined
 5 in subsection (e), STEP THREE, as provided in subsection (e), STEP
 6 FOUR.

7 (e) For each civil taxing unit, the amount to be subtracted under
 8 subsection (b), STEP EIGHT, is determined using the following
 9 formula:

10 STEP ONE: Determine the lesser of the civil taxing unit's base
 11 year certified share for the ensuing calendar year, as determined
 12 under section 5 of this chapter, or the civil taxing unit's certified
 13 share for the ensuing calendar year.

14 STEP TWO: Determine the greater of:

- 15 (A) zero (0); or
 16 (B) the remainder of:
 17 (i) the amount of federal revenue sharing money that was
 18 received by the civil taxing unit in 1985; minus
 19 (ii) the amount of federal revenue sharing money that will be
 20 received by the civil taxing unit in the year preceding the
 21 ensuing calendar year.

22 STEP THREE: Determine the lesser of:

- 23 (A) the amount determined in STEP TWO; or
 24 (B) the amount determined in subsection (f) for the civil taxing
 25 unit.

26 STEP FOUR: Add the amount determined in subsection (d),
 27 STEP FOUR, to the amount determined in STEP THREE.

28 STEP FIVE: Subtract the amount determined in STEP FOUR
 29 from the amount determined in STEP ONE.

30 (f) As used in this section, a taxing unit's "determination year"
 31 means the latest of:

- 32 (1) calendar year 1987, if the taxing unit is treated as being
 33 located in an adopting county for calendar year 1987 under
 34 section 4 of this chapter;
 35 (2) the taxing unit's base year, as defined in section 5 of this
 36 chapter, if the taxing unit is treated as not being located in an
 37 adopting county for calendar year 1987 under section 4 of this
 38 chapter; or
 39 (3) the ensuing calendar year following the first year that the
 40 taxing unit is located in a county that has a county adjusted gross
 41 income tax rate of more than one-half percent (0.5%) on July 1 of
 42 that year.

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The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	0

COUNTIES WITH A TAX RATE OF 3/4%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	1/2

COUNTIES WITH A TAX RATE OF 1.0%

	Subsection (d)	Subsection (e)
Year	Factor	Factor
For the determination year	1/6	1/3
For the ensuing calendar year following the determination year	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years	1/3	1/3

SECTION 2. IC 6-1.1-18.5-13, AS AMENDED BY P.L.154-2006, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 13. With respect to an appeal filed under section 12 of this chapter, the local government tax control board may recommend that a civil taxing unit receive any one (1) or more of the following types of relief:

- (1) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if in the judgment of the local government tax control board the increase is reasonably necessary due to increased costs of the civil taxing unit resulting from annexation, consolidation, or other extensions of governmental services by the civil taxing unit to additional geographic areas or persons.

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(2) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to meet the civil taxing unit's share of the costs of operating a court established by statute enacted after December 31, 1973. Before recommending such an increase, the local government tax control board shall consider all other revenues available to the civil taxing unit that could be applied for that purpose. The maximum aggregate levy increases that the local government tax control board may recommend for a particular court equals the civil taxing unit's estimate of the unit's share of the costs of operating a court for the first full calendar year in which it is in existence. For purposes of this subdivision, costs of operating a court include:

- (A) the cost of personal services (including fringe benefits);
- (B) the cost of supplies; and
- (C) any other cost directly related to the operation of the court.

(3) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the quotient determined under STEP SIX of the following formula is equal to or greater than one and two-hundredths (1.02):

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the civil taxing unit's total assessed value of all taxable property and the total assessed value of property tax deductions in the unit under ~~IC 6-1.1-12-41~~ or IC 6-1.1-12-42 in the particular calendar year, divided by the sum of the civil taxing unit's total assessed value of all taxable property and the total assessed value of property tax deductions in the unit under ~~IC 6-1.1-12-41~~ or IC 6-1.1-12-42 in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the total

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assessed value of all taxable property in all counties and the total assessed value of property tax deductions in all counties under ~~IC 6-1.1-12-41~~ or IC 6-1.1-12-42 in the particular calendar year, divided by the sum of the total assessed value of all taxable property in all counties and the total assessed value of property tax deductions in all counties under ~~IC 6-1.1-12-41~~ or IC 6-1.1-12-42 in the calendar year immediately preceding the particular calendar year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Divide the STEP THREE amount by the STEP FIVE amount.

The civil taxing unit may increase its levy by a percentage not greater than the percentage by which the STEP THREE amount exceeds the percentage by which the civil taxing unit may increase its levy under section 3 of this chapter based on the assessed value growth quotient determined under section 2 of this chapter.

(4) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit needs the increase to pay the costs of furnishing fire protection for the civil taxing unit through a volunteer fire department. For purposes of determining a township's need for an increased levy, the local government tax control board shall not consider the amount of money borrowed under IC 36-6-6-14 during the immediately preceding calendar year. However, any increase in the amount of the civil taxing unit's levy recommended by the local government tax control board under this subdivision for the ensuing calendar year may not exceed the lesser of:

(A) ten thousand dollars (\$10,000); or

(B) twenty percent (20%) of:

(i) the amount authorized for operating expenses of a volunteer fire department in the budget of the civil taxing unit for the immediately preceding calendar year; plus

(ii) the amount of any additional appropriations authorized during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department under this chapter; minus

(iii) the amount of money borrowed under IC 36-6-6-14 during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department.

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(5) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter in order to raise revenues for pension payments and contributions the civil taxing unit is required to make under IC 36-8. The maximum increase in a civil taxing unit's levy that may be recommended under this subdivision for an ensuing calendar year equals the amount, if any, by which the pension payments and contributions the civil taxing unit is required to make under IC 36-8 during the ensuing calendar year exceeds the product of one and one-tenth (1.1) multiplied by the pension payments and contributions made by the civil taxing unit under IC 36-8 during the calendar year that immediately precedes the ensuing calendar year. For purposes of this subdivision, "pension payments and contributions made by a civil taxing unit" does not include that part of the payments or contributions that are funded by distributions made to a civil taxing unit by the state.

(6) Permission to increase its levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the township's township assistance ad valorem property tax rate is less than one and sixty-seven hundredths cents (\$0.0167) per one hundred dollars (\$100) of assessed valuation; and

(B) the township needs the increase to meet the costs of providing township assistance under IC 12-20 and IC 12-30-4. The maximum increase that the board may recommend for a township is the levy that would result from an increase in the township's township assistance ad valorem property tax rate of one and sixty-seven hundredths cents (\$0.0167) per one hundred dollars (\$100) of assessed valuation minus the township's ad valorem property tax rate per one hundred dollars (\$100) of assessed valuation before the increase.

(7) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter if:

(A) the increase has been approved by the legislative body of the municipality with the largest population where the civil taxing unit provides public transportation services; and

(B) the local government tax control board finds that the civil taxing unit needs the increase to provide adequate public transportation services.

The local government tax control board shall consider tax rates and levies in civil taxing units of comparable population, and the

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effect (if any) of a loss of federal or other funds to the civil taxing unit that might have been used for public transportation purposes. However, the increase that the board may recommend under this subdivision for a civil taxing unit may not exceed the revenue that would be raised by the civil taxing unit based on a property tax rate of one cent (\$0.01) per one hundred dollars (\$100) of assessed valuation.

(8) Permission to a civil taxing unit to increase the unit's levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the civil taxing unit is:

(i) a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000);

(ii) a city having a population of more than fifty-five thousand (55,000) but less than fifty-nine thousand (59,000);

(iii) a city having a population of more than twenty-eight thousand seven hundred (28,700) but less than twenty-nine thousand (29,000);

(iv) a city having a population of more than fifteen thousand four hundred (15,400) but less than sixteen thousand six hundred (16,600); or

(v) a city having a population of more than seven thousand (7,000) but less than seven thousand three hundred (7,300); and

(B) the increase is necessary to provide funding to undertake removal (as defined in IC 13-11-2-187) and remedial action (as defined in IC 13-11-2-185) relating to hazardous substances (as defined in IC 13-11-2-98) in solid waste disposal facilities or industrial sites in the civil taxing unit that have become a menace to the public health and welfare.

The maximum increase that the local government tax control board may recommend for such a civil taxing unit is the levy that would result from a property tax rate of six and sixty-seven hundredths cents (\$0.0667) for each one hundred dollars (\$100) of assessed valuation. For purposes of computing the ad valorem property tax levy limit imposed on a civil taxing unit under section 3 of this chapter, the civil taxing unit's ad valorem property tax levy for a particular year does not include that part of the levy imposed under this subdivision. In addition, a property tax increase permitted under this subdivision may be imposed for only two (2) calendar years.

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(9) Permission for a county:

(A) having a population of more than eighty thousand (80,000) but less than ninety thousand (90,000) to increase the county's levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the county needs the increase to meet the county's share of the costs of operating a jail or juvenile detention center, including expansion of the facility, if the jail or juvenile detention center is opened after December 31, 1991;

(B) that operates a county jail or juvenile detention center that is subject to an order that:

(i) was issued by a federal district court; and

(ii) has not been terminated;

(C) that operates a county jail that fails to meet:

(i) American Correctional Association Jail Construction Standards; and

(ii) Indiana jail operation standards adopted by the department of correction; or

(D) that operates a juvenile detention center that fails to meet standards equivalent to the standards described in clause (C) for the operation of juvenile detention centers.

Before recommending an increase, the local government tax control board shall consider all other revenues available to the county that could be applied for that purpose. An appeal for operating funds for a jail or a juvenile detention center shall be considered individually, if a jail and juvenile detention center are both opened in one (1) county. The maximum aggregate levy increases that the local government tax control board may recommend for a county equals the county's share of the costs of operating the jail or a juvenile detention center for the first full calendar year in which the jail or juvenile detention center is in operation.

(10) Permission for a township to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the township needs the increase so that the property tax rate to pay the costs of furnishing fire protection for a township, or a portion of a township, enables the township to pay a fair and reasonable amount under a contract with the municipality that is furnishing the fire protection. However, for the first time an appeal is granted the resulting rate increase may not exceed fifty percent (50%) of the difference between the rate imposed for fire protection within the

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1 municipality that is providing the fire protection to the township
 2 and the township's rate. A township is required to appeal a second
 3 time for an increase under this subdivision if the township wants
 4 to further increase its rate. However, a township's rate may be
 5 increased to equal but may not exceed the rate that is used by the
 6 municipality. More than one (1) township served by the same
 7 municipality may use this appeal.

8 (11) Permission for a township to increase its levy in excess of the
 9 limitations established under section 3 of this chapter, if the local
 10 government tax control board finds that the township has been
 11 required, for the three (3) consecutive years preceding the year for
 12 which the appeal under this subdivision is to become effective, to
 13 borrow funds under IC 36-6-6-14 to furnish fire protection for the
 14 township or a part of the township. However, the maximum
 15 increase in a township's levy that may be allowed under this
 16 subdivision is the least of the amounts borrowed under
 17 IC 36-6-6-14 during the preceding three (3) calendar years. A
 18 township may elect to phase in an approved increase in its levy
 19 under this subdivision over a period not to exceed three (3) years.
 20 A particular township may appeal to increase its levy under this
 21 section not more frequently than every fourth calendar year.

22 (12) Permission to a city having a population of more than
 23 twenty-nine thousand (29,000) but less than thirty-one thousand
 24 (31,000) to increase its levy in excess of the limitations
 25 established under section 3 of this chapter if:

26 (A) an appeal was granted to the city under this section to
 27 reallocate property tax replacement credits under IC 6-3.5-1.1
 28 in 1998, 1999, and 2000; and

29 (B) the increase has been approved by the legislative body of
 30 the city, and the legislative body of the city has by resolution
 31 determined that the increase is necessary to pay normal
 32 operating expenses.

33 The maximum amount of the increase is equal to the amount of
 34 property tax replacement credits under IC 6-3.5-1.1 that the city
 35 petitioned under this section to have reallocated in 2001 for a
 36 purpose other than property tax relief.

37 SECTION 3. IC 6-3.5-1.1-1 IS AMENDED TO READ AS
 38 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 1. As used in this
 39 chapter:

40 "Adjusted gross income" has the same definition that the term is
 41 given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer
 42 who is not a resident of a county that has imposed the county adjusted

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gross income tax, the term includes only adjusted gross income derived from ~~his~~ **the county taxpayer's** principal place of business or employment.

"Civil taxing unit" means ~~any entity having the power to impose ad valorem property taxes except a school corporation. The term does not include a solid waste management district that is not entitled to a distribution under section 1-3 of this chapter. However, in the case of a consolidated city, the term "civil taxing unit" includes the consolidated city and all special taxing districts, all special service districts, and all entities whose budgets and property tax levies are subject to review under IC 36-3-6-9:~~ **a county.**

"County council" includes the city-county council of a consolidated city.

"County taxpayer" as it relates to a county for a year means any individual:

- (1) who resides in that county on the date specified in section 16 of this chapter; or
- (2) who maintains ~~his~~ **the individual's** principal place of business or employment in that county on the date specified in section 16 of this chapter and who does not on that same date reside in another county in which the county adjusted gross income tax, the county option income tax, or the county economic development income tax is in effect.

"Department" refers to the Indiana department of state revenue.

"Nonresident county taxpayer" as it relates to a county for a year means any county taxpayer for that county for that year who is not a resident county taxpayer of that county for that year.

"Resident county taxpayer" as it relates to a county for a year means any county taxpayer who resides in that county on the date specified in section 16 of this chapter.

~~"School corporation" means any public school corporation established under Indiana law.~~

SECTION 4. IC 6-3.5-1.1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 4. (a) The county adjusted gross income tax imposed by a county council under this chapter remains in effect until rescinded.

(b) Except as provided in subsection (e), the county council may rescind the county adjusted gross income tax by adopting an ordinance to rescind the tax after January 1 but before June 1 of a year.

(c) Any ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(d) The auditor of a county shall record all votes taken on

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ordinances presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

(e) A county council may not rescind the county adjusted gross income tax or take any action that would result in a ~~civil taxing unit~~ in the county having a smaller certified share than the certified share to which the ~~civil taxing unit county~~ was entitled when the ~~civil taxing unit county~~ pledged county adjusted gross income tax if the ~~civil taxing unit or any commission, board, department, or authority that is authorized by statute to pledge county adjusted gross income tax~~ has pledged county adjusted gross income tax for any purpose permitted by IC 5-1-14 or any other statute. The prohibition in this section does not apply if the ~~civil taxing unit county~~ pledges legally available revenues to fully replace the ~~civil taxing unit's county's~~ certified share that has been pledged.

SECTION 5. IC 6-3.5-1.1-10, AS AMENDED BY P.L.147-2006, SECTION 2, AS AMENDED BY P.L.162-2006, SECTION 29, AND AS AMENDED BY P.L.2-2006, SECTION 68, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 10. (a) Except as provided in subsection (b), one-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 8 of this chapter to the appropriate county treasurer on May 1 and the other one-half (1/2) on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 9 of this chapter, the initial certified distribution certified for a county under section 9 of this chapter shall be distributed to the county treasurer from the account established for the county under section 8 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

(1) One-fourth (1/4) on October 1 of the *calendar* year in which the ordinance was adopted.

(2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.

(3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.

(4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

Notwithstanding section 11 of this chapter, the part of the certified

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distribution received under subdivision (1) that would otherwise be allocated to ~~a civil taxing unit or school corporation~~ **the county** as property tax replacement credits under section 11 of this chapter shall be set aside and treated for the calendar year when received by the ~~civil taxing unit or school corporation~~ **county** as a levy excess subject to IC 6-1.1-18.5-17 or ~~IC 6-1.1-19-1.7~~ **IC 20-44-3**. Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) Except for:

(1) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.3 of this chapter;

~~(2)~~ (2) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

~~(3)~~ (3) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, ~~or~~ equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.8 of this chapter;

~~(4)~~ (4) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

~~(5)~~ (5) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or

~~(6)~~ (6) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;

distributions made to a county treasurer under subsections (a) and (b) shall be treated as though they were property taxes that were due and payable during that same calendar year. Except as provided by subsection (b), the certified distribution shall be distributed and used by the ~~taxing units and school corporations~~ **county** as provided in sections 11 through 15 of this chapter.

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(d) All distributions from an account established under section 8 of this chapter shall be made by warrants issued by the auditor of the state to the treasurer of the state ordering the appropriate payments.

SECTION 6. IC 6-3.5-1.1-11, AS AMENDED BY P.L.147-2006, SECTION 3, AND AS AMENDED BY P.L.162-2006, SECTION 30, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 11. (a) Except for:

(1) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.3 of this chapter;

~~(1)~~ (2) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

~~(2)~~ (3) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, ~~or~~ equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.8 of this chapter;

~~(3)~~ (4) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

~~(4)~~ (5) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or

~~(5)~~ (6) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;

the certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the ~~civil taxing units and school corporations of the county~~ as certified shares and property tax replacement credits.

(b) Before August 10 of each calendar year, each county auditor shall determine the part of the certified distribution for the next succeeding calendar year that will be allocated as property tax replacement credits and the part that will be allocated as certified shares. ~~The percentage~~ **Seventy-five percent (75%)** of a certified

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distribution ~~that will~~ **shall** be allocated as property tax replacement credits ~~or and twenty-five percent (25%) of a certified distribution shall be allocated~~ as certified shares. ~~depends upon the county adjusted gross income tax rate for resident county taxpayers in effect on August 1 of the calendar year that precedes the year in which the certified distribution will be received by two (2) years. The percentages are set forth in the following table:~~

PROPERTY		
COUNTY	TAX	
ADJUSTED GROSS	REPLACEMENT	CERTIFIED
INCOME TAX RATE	CREDITS	SHARES
0.5%	50%	50%
0.75%	33 1/3%	66 2/3%
1%	25%	75%

(c) The part of a certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 12, 13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter.

SECTION 7. IC 6-3.5-1.1-12, AS AMENDED BY P.L.207-2005, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 12. (a) The part of a county's certified distribution for a calendar year that is to be used as property tax replacement credits shall be allocated by the county auditor among the civil taxing units and school corporations of the county.

(b) ~~Except as provided in section 13 of this chapter,~~ The amount of property tax replacement credits that each civil taxing unit and school corporation in a county is entitled to receive during a calendar year equals the product of:

(1) that part of the county's certified distribution that is dedicated to providing property tax replacement credits for that same calendar year; multiplied by

(2) a fraction:

(A) The numerator of the fraction equals the allocation amount for the civil taxing unit or school corporation during that calendar year.

(B) The denominator of the fraction equals the sum of the allocation amounts for all the civil taxing units and school corporations of the county for that calendar year.

(c) The department of local government finance shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is

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entitled to receive under this section. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits it is entitled to receive (~~after adjustment made under section 13 of this chapter~~) under this section during that calendar year. The county auditor shall also certify these distributions to the county treasurer.

SECTION 8. IC 6-3.5-1.1-15, AS AMENDED BY P.L.207-2005, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 15. (a) ~~As used in this section, "attributed allocation amount" of a civil taxing unit for a calendar year means the sum of:~~

(1) the allocation amount of the civil taxing unit for that calendar year; plus

(2) the current ad valorem property tax levy of any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit; plus

(3) in the case of a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

~~(b)~~ (a) The part of a county's certified distribution that is to be used as certified shares shall be allocated only among the county's civil taxing units. Each civil taxing unit of a county is entitled to receive a certified share during a calendar year in an amount determined in STEP TWO of the following formula:

STEP ONE: Divide:

(A) the attributed allocation amount of the civil taxing unit during that calendar year; by

(B) the sum of the attributed allocation amounts of all the civil taxing units of the county during that calendar year.

STEP TWO: Multiply the part of the county's certified distribution that is to be used as certified shares by the STEP ONE amount.

(c) The local government tax control board established by IC 6-1.1-18.5-11 shall determine the attributed levies of civil taxing units that are entitled to receive certified shares during a calendar year. If the ad valorem property tax levy of any special taxing district, authority, board, or other entity is attributed to another civil taxing unit under subsection (a)(2), then the special taxing district, authority, board, or other entity shall not be treated as having an attributed allocation amount of its own. The local government tax control board shall certify the attributed allocation amounts to the appropriate county

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auditor. The county auditor shall then allocate the certified shares among the civil taxing units of the auditor's to the county.

(d) (b) Certified shares received by a civil taxing unit the county shall be treated as additional revenue for the purpose of fixing its budget for the calendar year during which the certified shares will be received. **Fifty percent (50%) of the certified shares may be allocated to or appropriated for any purpose, including property tax relief or a transfer of funds to another civil taxing unit. whose levy was attributed to the civil taxing unit in the determination of its attributed allocation amount. Fifty percent (50%) of the certified shares shall be deposited in the county's rainy day fund established under IC 36-1-8-5.1 for the purposes of the fund.**

SECTION 9. IC 6-3.5-1.1-21.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 21.1. (a) If, after receiving a recommendation from the budget agency, the department determines that a sufficient balance exists in a county account in excess of the amount necessary, when added to other money that will be deposited in the account after the date of the recommendation, to make certified distributions to the county in the ensuing year, the department shall make a supplemental distribution to a county from the county's adjusted gross income tax account.

(b) A supplemental distribution described in subsection (a) must be:

- (1) made in January of the ensuing calendar year; and
- (2) allocated and, subject to subsection (d), used in the same manner as certified distributions.

(c) A determination under this section must be made before October 2.

(d) This subsection applies to that part of a distribution made under this section that is allocated and available for use in the same manner as certified shares. The civil taxing unit county receiving the money shall deposit the money in the civil taxing unit's county's rainy day fund established under IC 36-1-8-5.1 **for the purposes of the fund.**

SECTION 10. IC 6-3.5-1.1-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 22. Notwithstanding any other law, if a civil taxing unit county desires to issue obligations or enter into leases payable wholly or in part by the county adjusted gross income tax, the obligations of the civil taxing unit county or any lessor may be sold at public sale in accordance with IC 5-1-11 or at negotiated sale.

SECTION 11. IC 6-3.5-1.1-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 23. (a) A pledge of county adjusted gross income tax revenues under this chapter is

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enforceable in accordance with IC 5-1-14.

(b) With respect to obligations for which a pledge has been made under this chapter, the general assembly covenants with the county and the purchasers or owners of those obligations that this chapter will not be repealed or amended in any manner that will adversely affect the collection of the tax imposed under this chapter as long as the principal of or interest on those obligations is unpaid.

(c) Notwithstanding any other provision of this chapter, a civil taxing unit that:

(1) was permitted under this chapter to receive certified shares before January 1, 2007;

(2) made a pledge before April 1, 2007, to pay:

(A) debt service;

(B) lease rentals, or

(C) other obligations;

from the certified shares that the civil taxing unit would have received under this chapter if the law had not been amended in the 2007 session by the general assembly; and

(3) is not entitled to receive sufficient revenue under IC 6-3.5-8 to meet the taxing unit's obligations under the pledge;

is entitled to receive part of the allocation of certified shares that would otherwise be allocated to the county under this chapter. The amount that the civil taxing unit is entitled to receive under this subsection is equal to the lesser of the certified shares that the taxing unit would have received under this chapter (as effective December 31, 2007) or the amount needed to meet the obligations of the pledge. The county auditor shall retain a taxing unit's allocation under this subsection from the county's certified shares and distribute the amount to the taxing unit that made the pledge. The taxing unit shall use the distribution in conformity with its obligations under the pledge.

SECTION 12. IC 6-3.5-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 1. As used in this chapter:

"Adjusted gross income" has the same definition that the term is given in IC 6-3-1-3.5. However, in the case of a county taxpayer who is not treated as a resident county taxpayer of a county, the term includes only adjusted gross income derived from ~~his~~ **the county taxpayer's** principal place of business or employment.

"Civil taxing unit" means any entity, except a school corporation, that has the power to impose ad valorem property taxes. The term does

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not include a solid waste management district that is not entitled to a distribution under section 1.3 of this chapter. However, in the case of a county in which a consolidated city is located, the consolidated city, the county, all special taxing districts, special service districts, included towns (as defined in IC 36-3-1-7), and all other political subdivisions except townships, excluded cities (as defined in IC 36-3-1-7), and school corporations shall be deemed to comprise one (1) civil taxing unit whose fiscal body is the fiscal body of the consolidated city.

"County income tax council" means a council established by section 2 of this chapter **(as effective before January 1, 2008)**.

"County taxpayer", as it relates to a particular county, means any individual:

- (1) who resides in that county on the date specified in section 20 of this chapter; or
- (2) who maintains ~~his~~ **the individual's** principal place of business or employment in that county on the date specified in section 20 of this chapter and who does not reside on that same date in another county in which the county option income tax, the county adjusted income tax, or the county economic development income tax is in effect.

"Department" refers to the Indiana department of state revenue.

"Fiscal body" has the same definition that the term is given in IC 36-1-2-6.

"Resident county taxpayer", as it relates to a particular county, means any county taxpayer who resides in that county on the date specified in section 20 of this chapter.

"School corporation" has the same definition that the term is given in IC 6-1.1-1-16.

SECTION 13. IC 6-3.5-6-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 2. ~~(a) A county income tax council is established for each county in Indiana. The membership of each county's county income tax council consists of the fiscal body of the county and the fiscal body of each city or town that lies either partially or entirely within that county.~~

~~(b) Using procedures described in this chapter,~~ **(a) A county income tax council fiscal body** may adopt ordinances to:

- (1) impose the county option income tax in its county;
- (2) subject to section 12 of this chapter, rescind the county option income tax in its county;
- (3) increase the county option income tax rate for the county;
- (4) freeze the county option income tax rate for its county;
- (5) increase the homestead credit in its county; or

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(6) subject to section 12.5 of this chapter, decrease the county option income tax rate for the county.

~~(c)~~ (b) An ordinance adopted in a particular year under this chapter to impose or rescind the county option income tax or to increase its tax rate is effective July 1 of that year.

(c) An ordinance adopted by a county income tax council before January 1, 2008, shall be treated after December 31, 2008, as an ordinance adopted by the county fiscal body.

SECTION 14. IC 6-3.5-6-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 7. (a) Before a ~~member of the county income tax council~~ **fiscal body** may propose an ordinance or vote on a proposed ordinance, the ~~member~~ **county fiscal body** must hold a public hearing on the proposed ordinance and provide the public with notice of the time and place where the public hearing will be held.

(b) The notice required by subsection (a) must be given in accordance with IC 5-3-1.

(c) The form of the notice required by this section must be in substantially the following form:

"NOTICE OF COUNTY OPTION

INCOME TAX ORDINANCE VOTE.

The fiscal body of the _____ (insert name of civil taxing unit) hereby declares that on _____ (insert date) at _____ (insert the time of day) a public hearing will be held at _____ (insert location) concerning the following ~~resolution to propose an ordinance~~ (or proposed ordinance that is before the members of the county income tax council: **fiscal body**). Members of the public are cordially invited to attend the hearing for the purpose of expressing their views.

(Insert a copy of the proposed ordinance or resolution to propose an ordinance.)".

SECTION 15. IC 6-3.5-6-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 8. (a) The county ~~income tax council~~ **fiscal body** of any county in which the county adjusted gross income tax will not be in effect on July 1 of a year under an ordinance adopted during a previous calendar year may impose the county option income tax on the adjusted gross income of county taxpayers of its county effective July 1 of that same year.

(b) The county option income tax may initially be imposed at a rate of two-tenths of one percent (0.2%) on the resident county taxpayers of the county and at a rate of five hundredths of one percent (0.05%) for all other county taxpayers.

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(c) To impose the county option income tax, a county ~~income tax council~~ **fiscal body** must, after January 1 but before April 1 of the year, pass an ordinance. The ordinance must substantially state the following:

"The _____ County Income Tax Council imposes the county option income tax on the county taxpayers of _____ County. The county option income tax is imposed at a rate of two-tenths of one percent (0.2%) on the resident county taxpayers of the county and at a rate of five hundredths of one percent (0.05%) on all other county taxpayers. This tax takes effect July 1 of this year."

(d) If the county option income tax is imposed on the county taxpayers of a county, then the county option income tax rate that is in effect for resident county taxpayers of that county increases by one-tenth of one percent (0.1%) on each succeeding July 1 until the rate equals six-tenths of one percent (0.6%).

(e) The county option income tax rate in effect for the county taxpayers of a county who are not resident county taxpayers of that county is at all times one-fourth (1/4) of the tax rate imposed upon resident county taxpayers.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under this section and immediately send a certified copy of the results to the department by certified mail.

SECTION 16. IC 6-3.5-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 9. (a) If on January 1 of a calendar year the county option income tax rate in effect for resident county taxpayers equals six tenths of one percent (0.6%), then the county ~~income tax council~~ **fiscal body** of that county may after January 1 and before April 1 of that year pass an ordinance to increase its tax rate for resident county taxpayers. If a county ~~income tax council~~ **fiscal body** passes an ordinance under this section, its county option income tax rate for resident county taxpayers increases by one tenth of one percent (0.1%) each succeeding July 1 until its rate reaches a maximum of one percent (1%).

(b) The auditor of the county shall record any vote taken on an ordinance proposed under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

SECTION 17. IC 6-3.5-6-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 11. (a) The county ~~income tax council~~ **fiscal body** of any county may adopt an ordinance to permanently freeze the county option income tax rates at the rate in effect for its county on January 1 of a year.

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(b) To freeze the county option income tax rates a county ~~income tax council~~ **fiscal body** must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The _____ County ~~Income Tax Council~~ **fiscal body** permanently freezes the county option income tax rates at the rate in effect on January 1 of the current year."

(c) An ordinance adopted under the authority of this section remains in effect until rescinded. The county ~~income tax council~~ **fiscal body** may rescind such an ordinance after January 1 but before April 1 of any calendar year. Such an ordinance shall take effect July 1 of that same calendar year.

(d) If a county ~~income tax council~~ **fiscal body** rescinds an ordinance as adopted under this section the county option income tax rate shall automatically increase by one-tenth of one percent (0.01%) until:

- (1) the tax rate is again frozen under another ordinance adopted under this section; or
- (2) the tax rate equals six tenths of one percent (0.6%) (if the frozen tax rate equaled an amount less than six tenths of one percent (0.6%)) or one percent (1%) (if the frozen tax rate equaled an amount in excess of six tenths of one percent (0.6%)).

(e) The county auditor shall record any vote taken on an ordinance proposed under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

SECTION 18. IC 6-3.5-6-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 12. (a) The county option income tax imposed by a county ~~income tax council~~ **fiscal body** under this chapter remains in effect until rescinded.

(b) Subject to subsection (c), the county ~~income tax council~~ **fiscal body** of a county may rescind the county option income tax by passing an ordinance to rescind the tax after January 1 but before April 1 of a year.

(c) A county ~~income tax council~~ **fiscal body** may not rescind the county option income tax or take any action that would result in a civil taxing unit in the county having a smaller distributive share than the distributive share to which it was entitled when it pledged county option income tax, if the civil taxing unit or any commission, board, department, or authority that is authorized by statute to pledge county option income tax, has pledged county option income tax for any purpose permitted by IC 5-1-14 or any other statute.

(d) The auditor of a county shall record all votes taken on a proposed ordinance presented for a vote under the authority of this

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section and immediately send a certified copy of the results to the department by certified mail.

SECTION 19. IC 6-3.5-6-12.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 12.5. (a) The county ~~income tax council~~ **fiscal body** may adopt an ordinance to decrease the county option income tax rate in effect.

(b) To decrease the county option income tax rate, the county ~~income tax council~~ **fiscal body** must adopt an ordinance after January 1 but before April 1 of a year. The ordinance must substantially state the following:

"The _____ County ~~Income Tax Council~~ **fiscal body** decreases the county option income tax rate from _____ percent (___ %) to _____ percent (___ %). This ordinance takes effect July 1 of this year."

(c) A county ~~income tax council~~ **fiscal body** may not decrease the county option income tax if the county or any commission, board, department, or authority that is authorized by statute to pledge the county option income tax has pledged the county option income tax for any purpose permitted by IC 5-1-14 or any other statute.

(d) An ordinance adopted under this subsection takes effect July 1 of the year in which the ordinance is adopted.

(e) The county auditor shall record the votes taken on an ordinance under this subsection and shall send a certified copy of the ordinance to the department by certified mail not more than thirty (30) days after the ordinance is adopted.

(f) Notwithstanding IC 6-3.5-7, a county ~~income tax council~~ **fiscal body** that decreases the county option income tax in a year may not in the same year adopt or increase the county economic development income tax under IC 6-3.5-7.

SECTION 20. IC 6-3.5-6-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 13. (a) A county ~~income tax council~~ **fiscal body** of a county in which the county option income tax is in effect may adopt an ordinance to increase the percentage credit allowed for homesteads in its county under IC 6-1.1-20.9-2.

(b) A county ~~income tax council~~ **fiscal body** may not increase the percentage credit allowed for homesteads by an amount that exceeds the amount determined in the last STEP of the following formula:

STEP ONE: Determine the amount of the sum of all property tax levies for all taxing units in a county which are to be paid in the county in 2003 as reflected by the auditor's abstract for the 2002 assessment year, adjusted, however, for any postabstract

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adjustments which change the amount of the levies.

STEP TWO: Determine the amount of the county's estimated property tax replacement under IC 6-1.1-21-3(a) for property taxes first due and payable in 2003.

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

STEP FOUR: Determine the amount of the county's total county **tax** levy (as defined in IC 6-1.1-21-2(g)) for property taxes first due and payable in 2003.

STEP FIVE: Subtract the STEP FOUR amount from the STEP ONE amount.

STEP SIX: Subtract the STEP FIVE result from the STEP THREE result.

STEP SEVEN: Divide the STEP THREE result by the STEP SIX result.

STEP EIGHT: Multiply the STEP SEVEN result by eight-hundredths (0.08).

STEP NINE: Round the STEP EIGHT product to the nearest one-thousandth (0.001) and express the result as a percentage.

(c) The increase of the homestead credit percentage must be uniform for all homesteads in a county.

(d) In the ordinance that increases the homestead credit percentage, a county income tax council may provide for a series of increases or decreases to take place for each of a group of succeeding calendar years.

(e) An ordinance may be adopted under this section after January 1 but before June 1 of a calendar year.

(f) An ordinance adopted under this section takes effect on January 1 of the next succeeding calendar year.

(g) Any ordinance adopted under this section for a county is repealed for a year if on January 1 of that year the county option income tax is not in effect.

SECTION 21. IC 6-3.5-6-18, AS AMENDED BY P.L.162-2006, SECTION 31, AND AS AMENDED BY P.L.184-2006, SECTION 6, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 18. (a) The revenue a county auditor receives under this chapter shall be used to:

- (1) replace the amount, if any, of property tax revenue lost due to the allowance of an increased homestead credit within the county;
- (2) fund the operation of a public communications system and computer facilities district as provided in an election, if any, made by the county fiscal body under IC 36-8-15-19(b);

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(3) fund the operation of a public transportation corporation as provided in an election, if any, made by the county fiscal body under IC 36-9-4-42;

(4) make payments permitted under IC 36-7-15.1-17.5;

(5) make payments permitted under subsection (i);

(6) make distributions of distributive shares to the civil taxing units of a county; and

(7) make the distributions permitted under ~~section~~ sections 27, 28, and 29 of this chapter.

(b) The county auditor shall retain from the payments of the county's certified distribution, an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. This money shall be distributed to the civil taxing units and school corporations of the county as though they were property tax collections and in such a manner that no civil taxing unit or school corporation shall suffer a net revenue loss due to the allowance of an increased homestead credit.

(c) The county auditor shall retain:

(1) the amount, if any, specified by the county fiscal body for a particular calendar year under subsection (i), IC 36-7-15.1-17.5, IC 36-8-15-19(b), and IC 36-9-4-42 from the county's certified distribution for that same calendar year; and

(2) the amount of an additional tax rate imposed under section 27, 28, or 29 of this chapter.

The county auditor shall distribute amounts retained under this subsection to the county.

(d) All certified distribution revenues that are not retained and distributed under subsections (b), ~~and (c), and (j)~~ shall be distributed to the civil taxing units of the county as distributive shares.

(e) **Except as provided in subsection (g) and section 18.5 of this chapter**, the amount of distributive shares that each civil taxing unit in a county is entitled to receive **under subsection (d)** during a month equals the product of the following:

(1) The amount of revenue that is to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the allocation amount for the civil taxing unit for the calendar year in which the month falls. The denominator of the fraction equals the sum of the allocation amounts of all the civil taxing units of the county for the calendar year in which the month falls.

(f) The department of local government finance shall provide each county auditor with the fractional amount of distributive shares that each civil taxing unit in the auditor's county is entitled to receive

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1 monthly under this section.

2 (g) Notwithstanding subsection (e), if a civil taxing unit of an
3 adopting county does not impose a property tax levy that is first due
4 and payable in a calendar year in which distributive shares are being
5 distributed under this section, that civil taxing unit is entitled to receive
6 a part of the revenue to be distributed as distributive shares under this
7 section within the county. The fractional amount such a civil taxing
8 unit is entitled to receive each month during that calendar year equals
9 the product of the following:

10 (1) The amount to be distributed as distributive shares during that
11 month; multiplied by

12 (2) A fraction. The numerator of the fraction equals the budget of
13 that civil taxing unit for that calendar year. The denominator of
14 the fraction equals the aggregate budgets of all civil taxing units
15 of that county for that calendar year.

16 (h) If for a calendar year a civil taxing unit is allocated a part of a
17 county's distributive shares by subsection (g), then the formula used in
18 subsection (e) to determine all other civil taxing units' distributive
19 shares shall be changed each month for that same year by reducing the
20 amount to be distributed as distributive shares under subsection (e) by
21 the amount of distributive shares allocated under subsection (g) for that
22 same month. The department of local government finance shall make
23 any adjustments required by this subsection and provide them to the
24 appropriate county auditors.

25 (i) Notwithstanding any other law, a county fiscal body may pledge
26 revenues received under this chapter to the payment of bonds or lease
27 rentals to finance a qualified economic development tax project under
28 IC 36-7-27 in that county or in any other county if the county fiscal
29 body determines that the project will promote significant opportunities
30 for the gainful employment or retention of employment of the county's
31 residents.

32 **(j) Subject to subsection (k), after retaining and distributing the**
33 **amounts specified in subsections (b) and (c), the county auditor**
34 **shall retain from the remaining the following percentage of the**
35 **certified distribution for distribution to the county:**

- 36 (1) In 2008, ten percent (10%).
- 37 (2) In 2009, twenty percent (20%).
- 38 (3) In 2010, thirty percent (30%).
- 39 (4) In 2011, forty percent (40%).
- 40 (5) In 2012, fifty percent (50%).
- 41 (6) In 2013, sixty percent (60%).
- 42 (7) In 2014, seventy percent (70%).

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(8) In 2015, eighty percent (80%).

(9) In 2016, ninety percent (90%).

(10) In 2017 and thereafter, one hundred percent (100%).

(k) A civil taxing unit that:

(1) was permitted under this chapter to receive distributive shares before January 1, 2007;

(2) made a pledge before April 1, 2007, to pay:

(A) debt service;

(B) lease rentals; or

(C) other obligations;

from the distributive shares that the civil taxing unit would have received under this chapter if the law had not been amended in the 2007 session by the general assembly; and

(3) is not entitled to receive sufficient revenue under subsection (e) or (g) or section 18.5 of this chapter and IC 6-3.5-8 to meet the obligations of the pledge;

is entitled to receive part of the allocation of distributive shares that would otherwise be allocated to the county under subsection (j). The amount that the civil taxing unit is entitled to receive under this subsection is equal to the lesser of the distributive shares that the civil taxing unit would have received if subsection (j) did not exist or the amount needed to meet the obligations of the pledge. The county auditor shall retain a civil taxing unit's allocation under this subsection from the county's certified distribution and distribute the amount to the civil taxing unit that made the pledge. The civil taxing unit shall use the distribution in conformity with its obligations under the pledge.

(l) The owner of property located in a county that has adopted a tax under this chapter is entitled to an additional property tax replacement credit in each year after 2007. The amount of the credit is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine an amount equal to eighty percent (80%) of the amount allocated to a county under subsection (j).

STEP TWO: Determine the part of the total county tax levy (as defined in IC 6-1.1-21-2) imposed by the county, after the application of all homestead credits under IC 6-1.1-20.9 and this chapter and property tax replacement credits under IC 6-1.1-21 that reduce taxpayer liability for the levy.

STEP THREE: Determine the owner's property tax liability for the amount determined under STEP TWO, after the

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1 application of homestead credits under IC 6-1.1-20.9 and this
 2 chapter and property tax replacement credits under
 3 IC 6-1.1-21.

4 **STEP FOUR: Divide the STEP THREE amount by the STEP**
 5 **TWO amount, rounded to the nearest ten thousandth**
 6 **(0.0001).**

7 **STEP FIVE: Multiply the STEP ONE amount by the STEP**
 8 **FOUR amount, rounding to the nearest dollar (\$1).**

9 **The county may use eighty percent (80%) of the amount allocated**
 10 **to a county under subsection (j) to replace revenue lost as the result**
 11 **of the granting of a property tax credit under this subsection. Ten**
 12 **percent (10%) of the amount allocated under subsection (j) shall be**
 13 **treated as miscellaneous revenue and may be allocated to or**
 14 **appropriated for any purpose, including property tax relief or a**
 15 **transfer of funds to another civil taxing unit. Ten percent (10%) of**
 16 **the certified shares shall be treated as miscellaneous revenue and**
 17 **deposited in the county's rainy day fund established under**
 18 **IC 36-1-8-5.1 for the purposes of the fund.**

19 SECTION 22. IC 6-3.5-6-18.5, AS AMENDED BY P.L.234-2005,
 20 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 21 JANUARY 1, 2008]: Sec. 18.5. (a) This section applies to a county
 22 containing a consolidated city.

23 (b) Notwithstanding section 18(e) of this chapter **but subject to**
 24 **section 18(j), 18(k), and 18(l) of this chapter**, the distributive shares
 25 that each civil taxing unit in a county containing a consolidated city is
 26 entitled to receive during a month equals the following:

27 (1) For the calendar year beginning January 1, 1995, calculate the
 28 total amount of revenues that are to be distributed as distributive
 29 shares during that month multiplied by the following factor:

30	Center Township	.0251
31	Decatur Township	.00217
32	Franklin Township	.0023
33	Lawrence Township	.01177
34	Perry Township	.01130
35	Pike Township	.01865
36	Warren Township	.01359
37	Washington Township	.01346
38	Wayne Township	.01307
39	Lawrence-City	.00858
40	Beech Grove	.00845
41	Southport	.00025
42	Speedway	.00722

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- 1 Indianapolis/Marion County .86409
- 2 (2) Notwithstanding subdivision (1), for the calendar year
- 3 beginning January 1, 1995, the distributive shares for each civil
- 4 taxing unit in a county containing a consolidated city shall be not
- 5 less than the following:
- | | |
|------------------------|-------------|
| 6 Center Township | \$1,898,145 |
| 7 Decatur Township | \$164,103 |
| 8 Franklin Township | \$173,934 |
| 9 Lawrence Township | \$890,086 |
| 10 Perry Township | \$854,544 |
| 11 Pike Township | \$1,410,375 |
| 12 Warren Township | \$1,027,721 |
| 13 Washington Township | \$1,017,890 |
| 14 Wayne Township | \$988,397 |
| 15 Lawrence-City | \$648,848 |
| 16 Beech Grove | \$639,017 |
| 17 Southport | \$18,906 |
| 18 Speedway | \$546,000 |
- 19 (3) For each year after 1995, calculate the total amount of
- 20 revenues that are to be distributed as distributive shares during
- 21 that month as follows:
- 22 STEP ONE: Determine the total amount of revenues that were
- 23 distributed as distributive shares during that month in calendar
- 24 year 1995.
- 25 STEP TWO: Determine the total amount of revenue that the
- 26 department has certified as distributive shares for that month
- 27 under section 17 of this chapter for the calendar year.
- 28 STEP THREE: Subtract the STEP ONE result from the STEP
- 29 TWO result.
- 30 STEP FOUR: If the STEP THREE result is less than or equal
- 31 to zero (0), multiply the STEP TWO result by the ratio
- 32 established under subdivision (1).
- 33 STEP FIVE: Determine the ratio of:
- 34 (A) the maximum permissible property tax levy under
- 35 IC 6-1.1-18.5, IC 12-19-7, and IC 12-19-7.5 for each civil
- 36 taxing unit for the calendar year in which the month falls,
- 37 plus, for a county, an amount equal to the property taxes
- 38 imposed by the county in 1999 for the county's welfare fund
- 39 and welfare administration fund; divided by
- 40 (B) the sum of the maximum permissible property tax levies
- 41 under IC 6-1.1-18.5, IC 12-19-7, and IC 12-19-7.5 for all
- 42 civil taxing units of the county during the calendar year in

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which the month falls, and an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

STEP SIX: If the STEP THREE result is greater than zero (0), the STEP ONE amount shall be distributed by multiplying the STEP ONE amount by the ratio established under subdivision (1).

STEP SEVEN: For each taxing unit determine the STEP FIVE ratio multiplied by the STEP TWO amount.

STEP EIGHT: For each civil taxing unit determine the difference between the STEP SEVEN amount minus the product of the STEP ONE amount multiplied by the ratio established under subdivision (1). The STEP THREE excess shall be distributed as provided in STEP NINE only to the civil taxing units that have a STEP EIGHT difference greater than or equal to zero (0).

STEP NINE: For the civil taxing units qualifying for a distribution under STEP EIGHT, each civil taxing unit's share equals the STEP THREE excess multiplied by the ratio of:

(A) the maximum permissible property tax levy under IC 6-1.1-18.5, IC 12-19-7, and IC 12-19-7.5 for the qualifying civil taxing unit during the calendar year in which the month falls, plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund; divided by

(B) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5, IC 12-19-7, and IC 12-19-7.5 for all qualifying civil taxing units of the county during the calendar year in which the month falls, and an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

SECTION 23. IC 6-3.5-6-21 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 21. (a) ~~Using procedures provided under this chapter,~~ The county ~~income tax council~~ **fiscal body** of any adopting county may pass an ordinance to enter into reciprocity agreements with the taxing authority of any city, town, municipality, county, or other similar local governmental entity of any other state. The reciprocity agreements must provide that the income of resident county taxpayers is exempt from income taxation by the other local governmental entity to the extent income of the residents of the other local governmental entity is exempt from the county option

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income tax in the adopting county.

(b) A reciprocity agreement adopted under this section may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of any reciprocity agreement described in this section must be approved by the department.

SECTION 24. IC 6-3.5-7-5, AS AMENDED BY P.L.162-2006, SECTION 33, AND AS AMENDED BY P.L.184-2006, SECTION 8, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is

(1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;

(2) the county council, if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or

(3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in ~~IC 6-3.5-6~~ **IC 6-3.5-6-7** concerning the imposition of the county option income tax. **An action taken before January 1, 2008, under this chapter by a county income tax council shall be treated after December 31, 2007, as an action of the county council.**

(b) Except as provided in subsections (c), (g), (k), (p), and (r) the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);
- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o), (p), ~~or~~ (s), *or* (v), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect

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on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g), (p), (r), (t), or (u), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, increase, decrease, or rescind the county economic development income tax, the ~~appropriate body~~ **county council** must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County **Council** imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county. This tax takes effect July 1 of this year."

(e) Any ordinance adopted under this chapter takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

(A) fifteen-hundredths percent (0.15%);

(B) two-tenths percent (0.2%); or

(C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county ~~income tax~~ council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

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(i) For a county having a population of more than thirteen thousand five hundred (13,500) but less than fourteen thousand (14,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and fifty-five hundredths percent (1.55%).

(j) For a county having a population of more than seventy-one thousand (71,000) but less than seventy-one thousand four hundred (71,400), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(k) This subsection applies to a county having a population of more than twenty-seven thousand four hundred (27,400) but less than twenty-seven thousand five hundred (27,500). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%);

if the county council makes a determination to impose rates under this subsection and section 22.5 of this chapter.

(l) For a county having a population of more than twenty-nine thousand (29,000) but less than thirty thousand (30,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(m) For:

(1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); or

(2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900); except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(n) For a county having a population of more than six thousand (6,000) but less than eight thousand (8,000), except as provided in

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subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more than thirty-nine thousand (39,000) but less than thirty-nine thousand six hundred (39,600). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and:

(A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

(B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(p) In addition:

(1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section.

However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) or residential property (as defined in section 26 of this chapter), as appropriate under the ordinance adopted by the adopting body in the county, resulting from the deduction of the assessed value of inventory in the county under ~~IC 6-1.1-12-41~~ or IC 6-1.1-12-42.

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(e) or

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26 of this chapter to the extent that the certified distribution results from the difference between:

- (1) the actual county economic development tax rate; and
- (2) the maximum rate that would otherwise apply under this section.

(r) This subsection applies only to a county described in section 27 of this chapter. Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.

(s) Except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

(t) This subsection applies to Howard County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(u) This subsection applies to Scott County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(v) This subsection applies to Jasper County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

SECTION 25. IC 6-3.5-7-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 6. (a) The ~~body imposing the tax~~ **county council** may decrease or increase the county economic development income tax rate imposed upon the county taxpayers as long as the resulting rate does not exceed the rates specified in section 5(b) and 5(c) or 5(g) of this chapter. The rate imposed under this section must be adopted at one (1) of the rates specified in section 5(b) of this chapter. To decrease or increase the

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1 rate, the ~~appropriate body~~ **county council** must, after January 1 but
 2 before April 1 of a year, adopt an ordinance. The ordinance must
 3 substantially state the following:

4 "The _____ County **Council** increases (decreases) the county
 5 economic development income tax rate imposed upon the county
 6 taxpayers of the county from _____ percent (____%) to _____
 7 percent (____%). This tax rate increase (decrease) takes effect July
 8 1 of this year."

9 (b) Any ordinance adopted under this section takes effect July 1 of
 10 the year the ordinance is adopted.

11 (c) The auditor of a county shall record all votes taken on
 12 ordinances presented for a vote under the authority of this section and
 13 immediately send a certified copy of the results to the department by
 14 certified mail.

15 SECTION 26. IC 6-3.5-7-6 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 6. (a) The ~~body~~
 17 ~~imposing the tax~~ **county council** may decrease or increase the county
 18 economic development income tax rate imposed upon the county
 19 taxpayers as long as the resulting rate does not exceed the rates
 20 ~~specified in section 5(b) and 5(c) or 5(g) of permitted under~~ this
 21 chapter. The rate imposed under this section must be adopted at one (1)
 22 of the rates specified in ~~section 5(b) of~~ this chapter. To decrease or
 23 increase the rate, the ~~appropriate body~~ **county council** must, after
 24 January 1 but before April 1 of a year, adopt an ordinance. The
 25 ordinance must substantially state the following:

26 "The _____ County **Council** increases (decreases) the county
 27 economic development income tax rate imposed upon the county
 28 taxpayers of the county from _____ percent (____%) to _____
 29 percent (____%). This tax rate increase (decrease) takes effect July
 30 1 of this year."

31 (b) Any ordinance adopted under this section takes effect July 1 of
 32 the year the ordinance is adopted.

33 (c) The auditor of a county shall record all votes taken on
 34 ordinances presented for a vote under the authority of this section and
 35 immediately send a certified copy of the results to the department by
 36 certified mail.

37 SECTION 27. IC 6-3.5-7-7 IS AMENDED TO READ AS
 38 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 7. (a) The county
 39 economic development income tax imposed under this chapter remains
 40 in effect until rescinded.

41 (b) Subject to section 14 of this chapter, the ~~body imposing the~~
 42 ~~county economic development income tax~~ **county council** may rescind

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the tax by adopting an ordinance to rescind the tax after January 1 but before April 1 of a year.

(c) Any ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(d) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

SECTION 28. IC 6-3.5-7-11, AS AMENDED BY P.L.207-2005, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 11. (a) Revenue derived from the imposition of the county economic development income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it.

(b) Before August 2 of each calendar year, the department, after reviewing the recommendation of the budget agency, shall certify to the county auditor of each adopting county the sum of the amount of county economic development income tax revenue that the department determines has been:

(1) received from that county for a taxable year ending before the calendar year in which the determination is made; and

(2) reported on an annual return or amended return processed by the department in the state fiscal year ending before July 1 of the calendar year in which the determination is made;

as adjusted (as determined after review of the recommendation of the budget agency) for refunds of county economic development income tax made in the state fiscal year plus the amount of interest in the county's account that has been accrued and has not been included in a certification made in a preceding year. The amount certified is the county's certified distribution, which shall be distributed on the dates specified in section 16 of this chapter for the following calendar year. The amount certified shall be adjusted under subsections (c), (d), (e), (f), and (g). The department shall provide with the certification an informative summary of the calculations used to determine the certified distribution.

(c) The department shall certify an amount less than the amount determined under subsection (b) if the department, after reviewing the recommendation of the budget agency, determines that the reduced distribution is necessary to offset overpayments made in a calendar year before the calendar year of the distribution. The department, after reviewing the recommendation of the budget agency, may reduce the amount of the certified distribution over several calendar years so that any overpayments are offset over several years rather than in one (1)

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1 lump sum.

2 (d) After reviewing the recommendation of the budget agency, the
3 department shall adjust the certified distribution of a county to correct
4 for any clerical or mathematical errors made in any previous
5 certification under this section. The department, after reviewing the
6 recommendation of the budget agency, may reduce the amount of the
7 certified distribution over several calendar years so that any adjustment
8 under this subsection is offset over several years rather than in one (1)
9 lump sum.

10 (e) The department, after reviewing the recommendation of the
11 budget agency, shall adjust the certified distribution of a county to
12 provide the county with the distribution required under section 16(b)
13 of this chapter.

14 (f) The department, after reviewing the recommendation of the
15 budget agency, shall adjust the certified distribution of a county to
16 provide the county with the amount of any tax increase imposed under
17 section ~~25~~ or 26 of this chapter to provide additional homestead credits
18 as provided in those provisions.

19 (g) This subsection applies to a county that:

20 (1) initially imposed the county economic development income
21 tax; or

22 (2) increases the county economic development income ~~tax~~ rate;
23 under this chapter in the same calendar year in which the department
24 makes a certification under this section. The department, after
25 reviewing the recommendation of the budget agency, shall adjust the
26 certified distribution of a county to provide for a distribution in the
27 immediately following calendar year and in each calendar year
28 thereafter. The department shall provide for a full transition to
29 certification of distributions as provided in subsection (b)(1) through
30 (b)(2) in the manner provided in subsection (c).

31 SECTION 29. IC 6-3.5-7-12 IS AMENDED TO READ AS
32 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 12. (a) Except as
33 provided in sections 23, ~~25~~, 26, and 27 of this chapter, the county
34 auditor shall distribute in the manner specified in this section the
35 certified distribution to the county.

36 (b) Except as provided in subsections (c) and (h) and sections 15
37 and ~~25~~ 26 of this chapter, the amount of the certified distribution that
38 the county and each city or town in a county is entitled to receive
39 during May and November of each year equals the product of the
40 following:

41 (1) The amount of the certified distribution for that month;
42 multiplied by

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(2) A fraction. The numerator of the fraction equals the sum of the following:

(A) Total property taxes that are first due and payable to the county, city, or town during the calendar year in which the month falls; plus

(B) For a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

The denominator of the fraction equals the sum of the total property taxes that are first due and payable to the county and all cities and towns of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

(c) This subsection applies to a county council or county income tax council **(before April 1, 2007)** that imposes a tax under this chapter after June 1, 1992. The ~~body imposing the tax~~ **county council** may adopt an ordinance before July 1 of a year to provide for the distribution of certified distributions under this subsection instead of a distribution under subsection (b). The following apply if an ordinance is adopted under this subsection:

(1) The ordinance is effective January 1 of the following year.

(2) Except as provided in ~~sections 25 and section~~ **section 26** of this chapter, the amount of the certified distribution that the county and each city and town in the county is entitled to receive during May and November of each year equals the product of:

(A) the amount of the certified distribution for the month; multiplied by

(B) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or town. The denominator of the fraction equals the sum of the population of all cities and towns located in the county and the population of the part of the county that is not located in a city or town.

(3) The ordinance may be made irrevocable for the duration of specified lease rental or debt service payments.

(d) The ~~body imposing the tax~~ **county council** may not adopt an ordinance under subsection (c) if, before the adoption of the proposed ordinance, any of the following have pledged the county economic development income tax for any purpose permitted by IC 5-1-14 or any other statute:

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(1) The county.

(2) A city or town in the county.

(3) A commission, a board, a department, or an authority that is authorized by statute to pledge the county economic development income tax.

(e) The department of local government finance shall provide each county auditor with the fractional amount of the certified distribution that the county and each city or town in the county is entitled to receive under this section.

(f) Money received by a county, city, or town under this section shall be deposited in the unit's economic development income tax fund.

(g) Except as provided in subsection (b)(2)(B), in determining the fractional amount of the certified distribution the county and its cities and towns are entitled to receive under subsection (b) during a calendar year, the department of local government finance shall consider only property taxes imposed on tangible property subject to assessment in that county.

(h) In a county having a consolidated city, only the consolidated city is entitled to the certified distribution, subject to the requirements of sections 15 ~~25~~, and 26 of this chapter.

SECTION 30. IC 6-3.5-7-13.1, AS AMENDED BY P.L.47-2006, SECTION 4, AND AS AMENDED BY P.L.137-2006, SECTION 11, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 13.1. (a) The fiscal officer of each county, city, or town for a county in which the county economic development tax is imposed shall establish an economic development income tax fund. Except as provided in sections 23, ~~25~~, 26, and 27 of this chapter, the revenue received by a county, city, or town under this chapter shall be deposited in the unit's economic development income tax fund.

(b) Except as provided in sections 15, 23, ~~25~~, 26, and 27 of this chapter, revenues from the county economic development income tax may be used as follows:

(1) By a county, city, or town for economic development projects, for paying, notwithstanding any other law, under a written agreement all or a part of the interest owed by a private developer or user on a loan extended by a financial institution or other lender to the developer or user if the proceeds of the loan are or are to be used to finance an economic development project, for the retirement of bonds under section 14 of this chapter for economic development projects, for leases under section 21 of this chapter, or for leases or bonds entered into or issued prior to

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the date the economic development income tax was imposed if the purpose of the lease or bonds would have qualified as a purpose under this chapter at the time the lease was entered into or the bonds were issued.

(2) By a county, city, or town for:

(A) the construction or acquisition of, or remedial action with respect to, a capital project for which the unit is empowered to issue general obligation bonds or establish a fund under any statute listed in IC 6-1.1-18.5-9.8;

(B) the retirement of bonds issued under any provision of Indiana law for a capital project;

(C) the payment of lease rentals under any statute for a capital project;

(D) contract payments to a nonprofit corporation whose primary corporate purpose is to assist government in planning and implementing economic development projects;

(E) operating expenses of a governmental entity that plans or implements economic development projects;

(F) to the extent not otherwise allowed under this chapter, funding substance removal or remedial action in a designated unit; or

(G) funding of a revolving fund established under IC 5-1-14-14.

(3) By a county, city, or town for any lawful purpose for which money in any of its other funds may be used.

(4) By a city or county described in IC 36-7.5-2-3(b) for making transfers required by IC 36-7.5-4-2. If the county economic development income tax rate is increased after April 30, 2005, in a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000), the first three million five hundred thousand dollars (\$3,500,000) of the tax revenue that results each year from the tax rate increase shall be used by the county only to make the county's transfer required by IC 36-7.5-4-2. The first three million five hundred thousand dollars (\$3,500,000) of the tax revenue that results each year from the tax rate increase shall be paid by the county treasurer to the treasurer of the northwest Indiana regional development authority under IC 36-7.5-4-2 before certified distributions are made to the county or any cities or towns in the county under this chapter from the tax revenue that results each year from the tax rate increase. In a county having a population of more than one hundred forty-five thousand (145,000) but less

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1 than one hundred forty-eight thousand (148,000), all of the tax
 2 revenue that results each year from the tax rate increase that is in
 3 excess of the first three million five hundred thousand dollars
 4 (\$3,500,000) that results each year from the tax rate increase must
 5 be used by the county and cities and towns in the county for
 6 additional homestead credits under subdivision (5).

7 (5) This subdivision applies only in a county having a population
 8 of more than one hundred forty-five thousand (145,000) but less
 9 than one hundred forty-eight thousand (148,000). Except as
 10 otherwise provided, the procedures and definitions in
 11 IC 6-1.1-20.9 apply to this subdivision. All of the tax revenue that
 12 results each year from a tax rate increase described in subdivision
 13 (4) that is in excess of the first three million five hundred
 14 thousand dollars (\$3,500,000) that results each year from the tax
 15 rate increase must be used by the county and cities and towns in
 16 the county for additional homestead credits under this
 17 subdivision. The following apply to additional homestead credits
 18 provided under this subdivision:

19 (A) The additional homestead credits must be applied
 20 uniformly to increase the homestead credit under IC 6-1.1-20.9
 21 for homesteads in the county, city, or town.

22 (B) The additional homestead credits shall be treated for all
 23 purposes as property tax levies. The additional homestead
 24 credits do not reduce the basis for determining the state
 25 property tax replacement credit under IC 6-1.1-21 or the state
 26 homestead credit under IC 6-1.1-20.9.

27 (C) The additional homestead credits shall be applied to the
 28 net property taxes due on the homestead after the application
 29 of all other assessed value deductions or property tax
 30 deductions and credits that apply to the amount owed under
 31 IC 6-1.1.

32 (D) The department of local government finance shall
 33 determine the additional homestead credit percentage for a
 34 particular year based on the amount of county economic
 35 development income tax revenue that will be used under this
 36 subdivision to provide additional homestead credits in that
 37 year.

38 (6) This subdivision applies only in a county having a population
 39 of more than four hundred thousand (400,000) but less than seven
 40 hundred thousand (700,000). Except as otherwise provided, the
 41 procedures and definitions in IC 6-1.1-20.9 apply to this
 42 subdivision. A county or a city or town in the county may use

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1 county economic development income tax revenue to provide
 2 additional homestead credits in the county, city, or town. The
 3 following apply to additional homestead credits provided under
 4 this subdivision:

5 (A) The county, city, or town fiscal body must adopt a
 6 ordinance authorizing the additional homestead credits. The
 7 ordinance must:

8 (i) be adopted before September 1 of a year to apply to
 9 property taxes first due and payable in the following year;
 10 and

11 (ii) specify the amount of county economic development
 12 income tax revenue that will be used to provide additional
 13 homestead credits in the following year.

14 (B) A county, city, or town fiscal body that adopts a
 15 ordinance under this subdivision must forward a copy of the
 16 ordinance to the county auditor and the department of local
 17 government finance not more than thirty (30) days after the
 18 ordinance is adopted.

19 (C) The additional homestead credits must be applied
 20 uniformly to increase the homestead credit under IC 6-1.1-20.9
 21 for homesteads in the county, city, or town.

22 (D) The additional homestead credits shall be treated for all
 23 purposes as property tax levies. The additional homestead
 24 credits do not reduce the basis for determining the state
 25 property tax replacement credit under IC 6-1.1-21 or the state
 26 homestead credit under IC 6-1.1-20.9.

27 (E) The additional homestead credits shall be applied to the
 28 net property taxes due on the homestead after the application
 29 of all other assessed value deductions or property tax
 30 deductions and credits that apply to the amount owed under
 31 IC 6-1.1.

32 (F) The department of local government finance shall
 33 determine the additional homestead credit percentage for a
 34 particular year based on the amount of county economic
 35 development income tax revenue that will be used under this
 36 subdivision to provide additional homestead credits in that
 37 year.

38 *(7) For a regional venture capital fund established under section*
 39 *13.5 of this chapter or a local venture capital fund established*
 40 *under section 13.6 of this chapter.*

41 ~~(7)~~ **(8)** *This subdivision applies only to a county:*

42 *(A) that has a population of more than one hundred ten*

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thousand (110,000) but less than one hundred fifteen thousand (115,000); and

(B) in which:

(i) the county fiscal body has adopted an ordinance under IC 36-7.5-2-3(e) providing that the county is joining the northwest Indiana regional development authority; and

(ii) the fiscal body of the city described in IC 36-7.5-2-3(e) has adopted an ordinance under IC 36-7.5-2-3(e) providing that the city is joining the development authority.

Revenue from the county economic development income tax may be used by a county or a city described in this subdivision for making transfers required by IC 36-7.5-4-2. In addition, if the county economic development income tax rate is increased after June 30, 2006, in the county, the first three million five hundred thousand dollars (\$3,500,000) of the tax revenue that results each year from the tax rate increase shall be used by the county only to make the county's transfer required by IC 36-7.5-4-2. The first three million five hundred thousand dollars (\$3,500,000) of the tax revenue that results each year from the tax rate increase shall be paid by the county treasurer to the treasurer of the northwest Indiana regional development authority under IC 36-7.5-4-2 before certified distributions are made to the county or any cities or towns in the county under this chapter from the tax revenue that results each year from the tax rate increase. All of the tax revenue that results each year from the tax rate increase that is in excess of the first three million five hundred thousand dollars (\$3,500,000) that results each year from the tax rate increase must be used by the county and cities and towns in the county for additional homestead credits under subdivision ~~(8)~~ (9).

~~(8)~~ (9) This subdivision applies only to a county described in subdivision ~~(7)~~ (8). Except as otherwise provided, the procedures and definitions in IC 6-1.1-20.9 apply to this subdivision. All of the tax revenue that results each year from a tax rate increase described in subdivision ~~(7)~~ (8) that is in excess of the first three million five hundred thousand dollars (\$3,500,000) that results each year from the tax rate increase must be used by the county and cities and towns in the county for additional homestead credits under this subdivision. The following apply to additional homestead credits provided under this subdivision:

(A) The additional homestead credits must be applied uniformly to increase the homestead credit under IC 6-1.1-20.9 for homesteads in the county, city, or town.

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(B) The additional homestead credits shall be treated for all purposes as property tax levies. The additional homestead credits do not reduce the basis for determining the state property tax replacement credit under IC 6-1.1-21 or the state homestead credit under IC 6-1.1-20.9.

(C) The additional homestead credits shall be applied to the net property taxes due on the homestead after the application of all other assessed value deductions or property tax deductions and credits that apply to the amount owed under IC 6-1.1.

(D) The department of local government finance shall determine the additional homestead credit percentage for a particular year based on the amount of county economic development income tax revenue that will be used under this subdivision to provide additional homestead credits in that year.

(c) As used in this section, an economic development project is any project that:

(1) the county, city, or town determines will:

(A) promote significant opportunities for the gainful employment of its citizens;

(B) attract a major new business enterprise to the unit; or

(C) retain or expand a significant business enterprise within the unit; and

(2) involves an expenditure for:

(A) the acquisition of land;

(B) interests in land;

(C) site improvements;

(D) infrastructure improvements;

(E) buildings;

(F) structures;

(G) rehabilitation, renovation, and enlargement of buildings and structures;

(H) machinery;

(I) equipment;

(J) furnishings;

(K) facilities;

(L) administrative expenses associated with such a project, including contract payments authorized under subsection (b)(2)(D);

(M) operating expenses authorized under subsection (b)(2)(E); or

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(N) to the extent not otherwise allowed under this chapter, substance removal or remedial action in a designated unit; or any combination of these.

(d) If there are bonds outstanding that have been issued under section 14 of this chapter or leases in effect under section 21 of this chapter, a county, city, or town may not expend money from its economic development income tax fund for a purpose authorized under subsection (b)(3) in a manner that would adversely affect owners of the outstanding bonds or payment of any lease rentals due.

SECTION 31. IC 6-3.5-7-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 14. (a) The fiscal body of a county, city, or town may issue bonds payable from the county economic development income tax. The bonds must be for economic development projects (as defined in section 13.1 of this chapter).

(b) The fiscal body of a county, city, or town may issue bonds payable from the county economic development income tax for any capital project for which the fiscal body is authorized to issue general obligation bonds. The bonds issued under this section may be payable from the county economic development income tax if the county option income tax or the county adjusted gross income tax is also in effect in the county at the time the bonds are issued.

(c) If there are bonds outstanding that have been issued under this section, or leases in effect under section 21 of this chapter, the ~~body that imposed the county economic development income tax~~ **county council** may not reduce the county economic development income tax rate below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual debt service on the bonds to their final maturity, plus the highest annual lease payments, unless:

(1) the ~~body that imposed the economic development income tax;~~ **county council;** or

(2) any city, town, or county; pledges all or a portion of its distributive share for the life of the bonds or the term of the lease, in an amount that is sufficient, when combined with the amount pledged by the city, town, or county that issued the bonds, to produce one and twenty-five hundredths (1.25) times the total of the highest annual debt service plus the highest annual lease payments.

(d) For purposes of subsection (c), the determination of a tax rate sufficient to produce one and twenty-five hundredths (1.25) times the total of the highest annual debt service plus the highest annual lease payments shall be based on an average of the immediately preceding

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three (3) years tax collections, if the tax has been imposed for the last preceding three (3) years. If the tax has not been imposed for the last preceding three (3) years, the ~~body that imposed the tax~~ **county council** may not reduce the rate below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual debt service, plus the highest annual lease payments, based upon a study by a qualified public accountant or financial advisor.

(e) IC 6-1.1-20 does not apply to the issuance of bonds under this section.

(f) Bonds issued under this section may be sold at a public sale in accordance with IC 5-1-11 or may be sold at a negotiated sale.

(g) After a sale of bonds under this section, the county auditor shall prepare a debt service schedule for the bonds.

(h) The general assembly covenants that it will not repeal or amend this chapter in a manner that would adversely affect owners of outstanding bonds issued, or payment of any lease rentals due, under this section.

SECTION 32. IC 6-3.5-7-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 15. (a) The executive of a county, city, or town may, subject to the use of the certified distribution permitted under ~~sections 25 and section~~ **section 26** of this chapter:

(1) adopt a capital improvement plan specifying the uses of the revenues to be received under this chapter; or

(2) designate the county or a city or town in the county as the recipient of all or a part of its share of the distribution.

(b) If a designation is made under subsection (a)(2), the county treasurer shall transfer the share or part of the share to the designated unit unless that unit does not have a capital improvement plan.

(c) A county, city, or town that fails to adopt a capital improvement plan may not receive:

(1) its fractional amount of the certified distribution; or

(2) any amount designated under subsection (a)(2);

for the year or years in which the unit does not have a plan. The county treasurer shall retain the certified distribution and any designated distribution for such a unit in a separate account until the unit adopts a plan. Interest on the separate account becomes part of the account. If a unit fails to adopt a plan for a period of three (3) years, then the balance in the separate account shall be distributed to the other units in the county based on property taxes first due and payable to the units during the calendar year in which the three (3) year period expires.

(d) A capital improvement plan must include the following

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components:

(1) Identification and general description of each project that would be funded by the county economic development income tax.

(2) The estimated total cost of the project.

(3) Identification of all sources of funds expected to be used for each project.

(4) The planning, development, and construction schedule of each project.

(e) A capital improvement plan:

(1) must encompass a period of no less than two (2) years; and

(2) must incorporate projects the cost of which is at least seventy-five percent (75%) of the fractional amount certified distribution expected to be received by the county, city, or town in that period of time.

(f) In making a designation under subsection (a)(2), the executive must specify the purpose and duration of the designation. If the designation is made to provide for the payment of lease rentals or bond payments, the executive may specify that the designation and its duration are irrevocable.

SECTION 33. IC 6-3.5-7-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 16. (a) Except as provided in subsections (b) and (c), on May 1 of each year, one-half (1/2) of each county's certified distribution for a calendar year shall be distributed from its account established under section 10 of this chapter to the county treasurer. The other one-half (1/2) shall be distributed on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 11 of this chapter, the initial certified distribution certified for a county under section 11 of this chapter shall be distributed to the county treasurer from the account established for the county under section 10 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

(1) One-fourth (1/4) on October 1 of the year in which the ordinance was adopted.

(2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.

(3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.

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(4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

The county auditor and county treasurer shall distribute amounts received under this subsection to a county and each city or town in the county in the same proportions as are set forth in section 12 of this chapter. Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) Before July 1 of each year, a county's certified distribution for additional homestead credits under section ~~25 or~~ 26 of this chapter for the year shall be distributed from the county's account established under section 10 of this chapter.

(d) All distributions from an account established under section 10 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

SECTION 34. IC 6-3.5-7-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 22. (a) This section only applies to a designated unit.

(b) The county ~~income tax~~ council may, by ordinance, determine that economic development income tax money is needed in the county to fund substance removal and remedial action, including the repayment of bonds or other debt incurred for substance removal or remedial action, and the actions taken to fund substance removal and remedial action serve a public purpose by promoting public health, welfare, and safety.

(c) If the county ~~income tax~~ council makes a determination under subsection (b), **in addition to the tax rates imposed under section 5 of this chapter**, the county income tax council may adopt a tax rate under section 5(g) of this chapter. The tax rate may not be imposed at a rate or for a time greater than is necessary to fund substance removal and remedial action in the county, including the repayment of bonds or other debt incurred for substance removal or remedial action.

(d) The county treasurer shall establish a substance removal and remedial action fund to be used only for the purposes described in this section. County economic development income tax revenues derived from the tax rate imposed under ~~section 5(g) of this chapter~~ **section** shall be deposited in the substance removal and remedial action fund before making a certified distribution under section 12 of this chapter.

(e) The county ~~income tax~~ council may, by ordinance, appropriate or pledge any part of the substance removal and remediation action fund to a political subdivision or to an entity formed by an interlocal cooperation agreement under IC 36-1-7 for the purposes set forth in

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1 this chapter in the county.

2 (f) The county auditor shall distribute the amount specified in the
3 ordinance to the designated political subdivision or to an entity formed
4 by an interlocal cooperation agreement under IC 36-1-7 from the
5 substance removal and remedial action fund.

6 (g) Bonds issued by a political subdivision or an entity formed by an
7 interlocal cooperation agreement under IC 36-1-7 payable from the
8 substance removal and remedial action fund do not constitute debt of
9 a designated unit or a city or town in the designated unit, and the bonds
10 shall contain a statement on their face to that effect and to the effect
11 that the bonds are payable solely from money in the substance removal
12 and remedial action fund, and other available funds, and are not
13 supported by the full faith and credit of the county, city, or town.

14 SECTION 35. IC 6-3.5-7-26, AS AMENDED BY P.L.162-2006,
15 SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 JANUARY 1, 2008]: Sec. 26. (a) This section applies only to
17 homestead and property tax replacement credits for property taxes first
18 due and payable after calendar year 2006.

19 (b) The following definitions apply throughout this section:

20 (1) "Adopt" includes amend.

21 (2) "Adopting entity" means

22 ~~(A) the entity that adopts an ordinance under~~
23 ~~IC 6-1.1-12-41(f); or~~

24 ~~(B) any other entity that may impose a county economic~~
25 ~~development income tax under section 5 of this chapter;~~
26 **county council.**

27 (3) "Homestead" refers to tangible property that is eligible for a
28 homestead credit under IC 6-1.1-20.9.

29 (4) "Residential" refers to the following:

30 (A) Real property, a mobile home, and industrialized housing
31 that would qualify as a homestead if the taxpayer had filed for
32 a homestead credit under IC 6-1.1-20.9.

33 (B) Real property not described in clause (A) designed to
34 provide units that are regularly used to rent or otherwise
35 furnish residential accommodations for periods of thirty (30)
36 days or more, regardless of whether the tangible property is
37 subject to assessment under rules of the department of local
38 government finance that apply to:

39 (i) residential property; or

40 (ii) commercial property.

41 (c) An adopting entity may adopt an ordinance to provide for the use
42 of the certified distribution described in section 16(c) of this chapter for

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the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1, 2006, and before June 1, 2006, or, in a year following 2006, after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; and

(2) must specify that the certified distribution must be used to provide for one (1) of the following, as determined by the adopting entity:

(A) Uniformly applied increased homestead credits as provided in subsection (f).

(B) Uniformly applied increased residential credits as provided in subsection (g).

(C) Allocated increased homestead credits as provided in subsection (i).

(D) Allocated increased residential credits as provided in subsection (j).

~~An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 of this chapter:~~

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (k); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting entity shall use the certified distribution described in section 16(c) of this chapter to increase:

(1) if the ordinance grants a credit described in subsection (c)(2)(A) or (c)(2)(C), the homestead credit allowed in the county under IC 6-1.1-20.9 for a year; or

(2) if the ordinance grants a credit described in subsection (c)(2)(B) or (c)(2)(D), the property tax replacement credit allowed in the county under IC 6-1.1-21-5 for a year for the residential property;

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to offset the effect on homesteads or residential property, as applicable, in the county resulting from the statewide deduction for inventory under IC 6-1.1-12-42. The amount of an additional residential property tax replacement credit granted under this section may not be considered in computing the amount of any homestead credit to which the residential property may be entitled under IC 6-1.1-20.9 or another law other than IC 6-1.1-20.6.

(f) If the imposing entity specifies the application of uniform increased homestead credits under subsection (c)(2)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;
- (2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

(g) If the imposing entity specifies the application of uniform increased residential credits under subsection (c)(2)(B), the county auditor shall determine for each calendar year in which an increased homestead credit percentage is authorized under this section:

- (1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit percentage for the year;
- (2) the amount of uniformly applied residential property tax replacement credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of residential property tax replacement credit that equates to the amount of residential property tax replacement credits determined under subdivision (2).

(h) The increased percentage of homestead credit determined by the county auditor under subsection (f) or the increased percentage of residential property tax replacement credit determined by the county auditor under subsection (g) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(i) If the imposing entity specifies the application of allocated increased homestead credits under subsection (c)(2)(C), the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

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(1) the amount of the certified distribution that is available to provide an increased homestead credit for the year; and

(2) except as provided in subsection (l), an increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

(j) If the imposing entity specifies the application of allocated increased residential property tax replacement credits under subsection (c)(2)(D), the county auditor shall determine for each calendar year in which an increased residential property tax replacement credit is authorized under this section:

(1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit for the year; and

(2) except as provided in subsection (l), an increased percentage of residential property tax replacement credit for each taxing district in the county that allocates to the taxing district an amount of increased residential property tax replacement credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

(k) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit or residential property tax replacement credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit or residential property tax replacement credit.

(l) Subject to the approval of the imposing entity, the county auditor may adjust the increased percentage of:

(1) homestead credit determined under subsection (i)(2) if the

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1 county auditor determines that the adjustment is necessary to
 2 achieve an equitable reduction of property taxes among the
 3 homesteads in the county; or

4 (2) residential property tax replacement credit determined under
 5 subsection (j)(2) if the county auditor determines that the
 6 adjustment is necessary to achieve an equitable reduction of
 7 property taxes among the residential property in the county.

8 SECTION 36. IC 6-3.5-8-9 IS AMENDED TO READ AS
 9 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) Except as
 10 provided in subsections (c) and (d), ~~and in section 12(c) of this chapter,~~
 11 the fiscal body of a municipality ~~located in a qualifying county~~ may
 12 impose a municipal option income tax, which consists of a tax on the
 13 adjusted gross income of municipal taxpayers of the municipality. **A**
 14 **municipality that, before April 1, 2007, pledged to use, after**
 15 **December 31, 2007, the municipality's certified shares under**
 16 **IC 6-3.5-1.1 or distributive shares under IC 6-3.5-6 to pay debt**
 17 **service, lease rentals, or other obligations and receives insufficient**
 18 **revenue under IC 6-3.5-6-18(e) or IC 6-3.5-6-18.5 to meet the**
 19 **obligation shall impose a municipal option income tax on the**
 20 **adjusted gross income of municipal taxpayers in the municipality.**
 21 If the tax is imposed, the tax takes effect:

22 (1) September 1, ~~2001~~, **2007**, if the fiscal body adopts an
 23 ordinance to impose the tax before July 1, ~~2001~~, **2007**; or

24 (2) July 1 of the year that the ordinance imposing the tax is
 25 adopted, if the ordinance is adopted ~~in 2002 or a later calendar~~
 26 **year: after 2007.**

27 (b) A municipal fiscal body shall hold a public hearing on the
 28 proposed ordinance before adopting an ordinance under subsection (a).
 29 The municipal fiscal body shall give public notice of the public hearing
 30 under IC 5-3-1.

31 (c) A fiscal body may not impose a municipal option income tax
 32 under subsection (a) for a period in which the county adjusted gross
 33 income tax, the county option income tax, or the economic
 34 development income tax is in effect in the qualifying county in which
 35 the municipality is located.

36 ~~(d) A fiscal body may not impose a municipal option income tax for~~
 37 ~~a calendar year that begins after December 31, 2005.~~

38 SECTION 37. IC 6-3.5-8-10 IS AMENDED TO READ AS
 39 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) The
 40 maximum rate of the municipal option income tax imposed on a
 41 resident municipal taxpayer under this chapter is ~~one percent (1%): the~~
 42 **greater of the following:**

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(1) Five tenths percent (0.5%).

(2) The tax rate necessary to raise sufficient revenue, after deducting any distributive shares received by the municipality under IC 6-3.5-6-18(e) or IC 6-3.5-6-18.5, to meet the municipality's obligations under a pledge, made before April 1, 2007, to use after December 31, 2007, the municipality's certified shares under IC 6-3.5-1.1 or distributive shares under IC 6-3.5-6 to pay debt service, lease rentals, or other obligations.

The maximum rate of the municipal option income tax imposed on all other municipal taxpayers under this chapter is ~~one-half~~ **twenty-five hundredths** percent (~~0.5%~~) **(0.25%)**.

(b) A municipal option income tax imposed under this chapter applies to resident municipal taxpayers and all other municipal taxpayers. The municipal option income tax rate in effect for the municipal taxpayers of a municipality who are not resident municipal taxpayers of that municipality is at all times one-half (1/2) of the tax rate imposed upon resident municipal taxpayers.

SECTION 38. IC 6-3.5-8-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) To impose a municipal option income tax to take effect September 1, ~~2001~~, **2007**, the fiscal body of a municipality in a qualifying county must adopt an ordinance before July 1, ~~2001~~, **2007**. The ordinance must substantially state the following:

"The _____ Fiscal Body imposes the municipal option income tax on the municipal taxpayers of _____ (insert name of municipality). The income tax is imposed at a rate of _____ percent (____%) on the resident municipal taxpayers of the municipality and at a rate of _____ percent (____%) on all other municipal taxpayers. The income tax takes effect September 1, 2001."

(b) An ordinance adopted under subsection (a) takes effect September 1, ~~2001~~, **2007**.

(c) To impose a municipal option income tax ~~in 2002~~ or in a later year, the fiscal body of a municipality that does not adopt an ordinance under subsection (a) must, after ~~February 15~~ **January 1** but before ~~May~~ **April 1** of a year, adopt an ordinance. The ordinance must substantially state the following:

"The _____ Fiscal Body imposes the municipal option income tax on the municipal taxpayers of _____ (insert name of municipality). The income tax is imposed at a rate of _____ percent (____%) on the resident municipal taxpayers of the

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1 municipality and at a rate of ____ percent (____%) on all other
 2 municipal taxpayers. The income tax takes effect July 1 of this
 3 year."

4 (d) An ordinance adopted under subsection (c) takes effect July 1 of
 5 the year the ordinance is adopted.

6 SECTION 39. IC 6-3.5-8-14 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 14. (a) A municipal
 8 option income tax imposed by a fiscal body under this chapter remains
 9 in effect until the ~~earlier of:~~

10 ~~(1) the date the tax is rescinded. or~~

11 ~~(2) December 31, 2005.~~

12 (b) A fiscal body may rescind the municipal option income tax by
 13 adopting an ordinance to rescind the tax after January 1 but before ~~June~~
 14 **April 1** of a year.

15 (c) A fiscal body shall hold a public hearing on the proposed
 16 ordinance before adopting an ordinance under subsection (b). The
 17 municipal fiscal body shall give public notice of the public hearing
 18 under IC 5-3-1.

19 (d) An ordinance adopted under this section takes effect July 1 of
 20 the year the ordinance is adopted.

21 **(e) A municipality may pledge any revenues received from a tax**
 22 **imposed under this article in accordance with IC 5-1-14. If a unit**
 23 **has outstanding obligations that are payable from an income tax**
 24 **imposed under this chapter, the municipal option income tax may**
 25 **not be decreased below a rate that would produce one and**
 26 **twenty-five hundredths (1.25) times the total of the highest annual**
 27 **payment requirements due from municipal option income tax on**
 28 **those obligations to their final maturity. For purposes of this**
 29 **subsection, the determination of a tax rate sufficient to produce one**
 30 **and twenty-five hundredths (1.25) times the total of the highest**
 31 **annual payment requirements shall be based on an average of the**
 32 **collections from the municipal option income tax for the**
 33 **immediately preceding three (3) years, if the tax has been imposed**
 34 **for the last preceding three (3) years. If the municipal option**
 35 **income tax has not been imposed for the last preceding three (3)**
 36 **years, the income tax may not be reduced below a rate that would**
 37 **produce one and twenty-five hundredths (1.25) times the total of**
 38 **the highest annual payment requirements due from municipal**
 39 **option income tax on those obligations, based upon a study by a**
 40 **qualified accountant or financial advisor.**

41 SECTION 40. IC 6-3.5-8-18 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 18. (a) Revenue

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1 derived from the imposition of a municipal option income tax shall, in
 2 the manner prescribed by this section, be distributed to the municipality
 3 that imposed the tax. The amount that is to be distributed to a
 4 municipality during an ensuing calendar year equals the amount of
 5 municipal option income tax revenue that the department, after
 6 reviewing the recommendation of the budget agency, estimates will be
 7 received from that municipality during the twelve (12) month period
 8 beginning July 1 of the immediately preceding calendar year and
 9 ending June 30 of the ensuing calendar year.

10 (b) Before ~~June 16~~ **August 2** of each calendar year, the department,
 11 after reviewing the recommendation of the budget agency, shall
 12 estimate and certify to each adopting municipality and to the county
 13 auditor of the qualifying county the amount of municipal option income
 14 tax revenue that will be collected from that municipality during the
 15 twelve (12) month period beginning July 1 of that calendar year and
 16 ending June 30 of the immediately succeeding calendar year. The
 17 amount certified is the municipality's "certified distribution" for the
 18 immediately succeeding calendar year. The amount certified may be
 19 adjusted under subsection (c) or (d).

20 (c) The department may certify to an adopting municipality an
 21 amount that is greater than the estimated twelve (12) month revenue
 22 collection if the department, after reviewing the recommendation of the
 23 budget agency, determines that there will be a greater amount of
 24 revenue available for distribution from the municipality's account
 25 established under section 19 of this chapter.

26 (d) The department may certify an amount less than the estimated
 27 twelve (12) month revenue collection if the department, after reviewing
 28 the recommendation of the budget agency, determines that a part of
 29 those collections needs to be distributed during the current calendar
 30 year so that the municipality will receive its full certified distribution
 31 for the current calendar year.

32 (e) One-twelfth (1/12) of each adopting municipality's certified
 33 distribution for a calendar year shall be distributed from its account
 34 established under section 19 of this chapter to the appropriate
 35 municipality on the first day of each month of that calendar year.

36 (f) All distributions from an account established under section 19 of
 37 this chapter shall be made by warrants issued by the auditor of state to
 38 the treasurer of state ordering the appropriate payments.

39 SECTION 41. IC 6-3.5-8-20 IS AMENDED TO READ AS
 40 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 20. ~~(a) The~~
 41 ~~department of local government finance shall each year reduce the~~
 42 ~~general fund property tax levy of a municipality receiving a distribution~~

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under this chapter in that year. The municipality's general fund property tax levy shall be reduced by the amount of the distribution received or to be received by the municipality during the year. The department of local government finance shall certify to the auditor of the qualifying county the property tax rate applicable to the municipality's general fund after the property tax reduction under this section.

(b) A municipality shall treat a distribution that the municipality receives or is to receive during a particular calendar year as a part of the municipality's property tax levy for the general fund for that same calendar year for purposes of fixing the municipality's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5. However, the distributions shall not reduce the total county tax levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. In addition, for purposes of computing and distributing any excise taxes or income taxes in which the distribution is based on property taxes, the distributions shall be treated as though they were property taxes that were due and payable during that same calendar year.

(c) A municipality may use distributions received under this chapter for any purpose for which the municipality may use property tax revenues. The owner of property located in a municipality that has adopted a tax under this chapter is entitled to an additional property tax replacement credit in each year after 2007. The amount of the credit is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine an amount equal to eighty percent (80%) of the amount of the certified distribution to the municipality for the year.

STEP TWO: Determine the part of the total county tax levy (as defined in IC 6-1.1-21-2) imposed by the municipality, after the application of all homestead credits under IC 6-1.1-20.9 and this chapter and property tax replacement credits under IC 6-1.1-21 that reduce taxpayer liability for the levy.

STEP THREE: Determine the owner's property tax liability for the amount determined under STEP TWO, after the application of homestead credits under IC 6-1.1-20.9 and this chapter and property tax replacement credits under IC 6-1.1-21.

STEP FOUR: Divide the STEP THREE amount by the STEP TWO amount, rounded to the nearest ten thousandth (0.0001).

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STEP FIVE: Multiply the STEP ONE amount by the STEP FOUR amount, rounding to the nearest dollar (\$1).

The municipality may use eighty percent (80%) of the amount allocated to the municipality under this chapter to replace revenue lost as the result of the granting of a property tax credit under this subsection. Ten percent (10%) of the certified distribution under this chapter shall be treated as miscellaneous revenue and may be allocated to or appropriated for any purpose, including property tax relief or a transfer of funds to another political subdivision. Ten percent (10%) of the certified distribution shall be treated as miscellaneous revenue and be deposited in the municipality's rainy day fund established under IC 36-1-8-5.1 for the purposes of the fund.

SECTION 42. IC 20-46-3-6, AS ADDED BY P.L.2-2006, SECTION 169, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 6. ~~Subject to IC 6-1.1-18.5-9.9,~~ The tax control board may recommend to the department of local government finance that a school corporation be allowed to establish a levy. The amount of the levy shall be determined each year and the levy may not exceed the lesser of the following:

- (1) The revenue derived from a tax rate of eight and thirty-three hundredths cents (\$0.0833) for each one hundred dollars (\$100) of assessed valuation within the school corporation.
- (2) The revenue derived from a tax rate equal to the difference between the maximum rate allowed for the school corporation's capital projects fund under IC 20-46-6 minus the actual capital projects fund rate that will be in effect for the school corporation for a particular year.

SECTION 43. IC 20-46-6-5, AS AMENDED BY P.L.154-2006, SECTION 69, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 5. Subject to IC 6-1.1-18-12, ~~and IC 6-1.1-18.5-9.9,~~ to provide for the fund, the governing body may, for each year in which a plan is in effect, impose a property tax rate that does not exceed forty-one and sixty-seven hundredths cents (\$0.4167) on each one hundred dollars (\$100) of assessed valuation of the school corporation. The actual rate imposed by the governing body must be advertised in the same manner as other property tax rates.

SECTION 44. IC 36-1-8-5.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 5.1. (a) A political subdivision may establish a rainy day fund by the adoption of:

- (1) an ordinance, in the case of a county, city, or town; or
- (2) a resolution, in the case of any other political subdivision.

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(b) An ordinance or a resolution adopted under this section must specify the following:

(1) The purposes of the rainy day fund.

(2) The sources of funding for the rainy day fund, which may include the following:

(A) Unused and unencumbered funds under:

(i) section 5 of this chapter;

(ii) **IC 6-3.5-1.1-15 and IC 6-3.5-1.1-21.1;**

(iii) **IC 6-3.5-6-17.3 and IC 6-3.5-6-18; or**

(iv) **IC 6-3.5-7-17.3; or**

(v) IC 6-3.5-8-20.

(B) Any other funding source:

(i) specified in the ordinance or resolution adopted under this section; and

(ii) not otherwise prohibited by law.

(c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money.

(d) In any fiscal year, a political subdivision may transfer under section 5 of this chapter not more than ten percent (10%) of the political subdivision's total annual budget for that fiscal year, adopted under IC 6-1.1-17, to the rainy day fund.

(e) A political subdivision may use only the funding sources specified in subsection (b)(2)(A) or in the ordinance or resolution establishing the rainy day fund. The political subdivision may adopt a subsequent ordinance or resolution authorizing the use of another funding source.

(f) The department of local government finance may not reduce the actual or maximum permissible levy of a political subdivision as a result of a balance in the rainy day fund of the political subdivision.

SECTION 45. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2008]: IC 6-1.1-12-41; IC 6-1.1-18.5-9.9; IC 6-3.5-1.1-1.1; IC 6-3.5-1.1-13; IC 6-3.5-1.1-14; IC 6-3.5-6-2; IC 6-3.5-6-3; IC 6-3.5-6-4; IC 6-3.5-6-5; IC 6-3.5-6-6; IC 6-3.5-7-25; 6-3.5-7-25.5; IC 6-3.5-8-7; IC 6-3.5-8-12.

SECTION 46. [EFFECTIVE APRIL 1, 2007 (RETROACTIVE)] **A political subdivision, other than a county, may not after March 31, 2007, pledge any part of the certified shares that the political subdivision is entitled to receive under IC 6-3.5-1.1 from county adjusted gross income tax or distributive shares that the political subdivision is entitled to receive under IC 6-3.5-6 from the county option income tax to pay debt service, lease rentals, or other obligations that are due after December 31, 2007, unless the pledge**

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1 **will not have the effect of reducing a county's distribution under**
2 **IC 6-3.5-1.1 or IC 6-3.5-6-18(j), both as amended by this act.**
3 **SECTION 47. An emergency is declared for this act.**

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